

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARRISON COUNTY RURAL)	
ELECTRIC COOPERATIVE CORPORATION TO)	CASE NO. 92-226
ADJUST ELECTRIC RATES)	

O R D E R

IT IS ORDERED that Harrison County Rural Electric Cooperative Corporation ("Harrison County") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than November 23, 1992.

1. Refer to Harrison County's response to Item 1 of the Commission's September 29, 1992 Order. The creation of a deferred credit under Statement of Accounting Standard No. 71 ("SFAS 71") is predicated on there being a difference between the accounting

required under Generally Accepted Accounting Principles ("GAAP") and the accounting treatment required under regulation. Provide a complete detailed narrative description of these differences that resulted in Harrison County recording an SFAS 71 liability. Additionally, provide the journal entries made by Harrison County to record the liabilities for past service cost on the pension plan as well as the journal entries made annually by Harrison County to reduce this liability.

2. Refer to Harrison County's response to Item 4 of the Commission's September 29, 1992 Order. The response provided results in an imbalance of \$56,890 between the two long-term debt numbers cited in Item 4. Explain in detail which balance is correct and provide the full reconciliation as originally requested. Include with this response all calculations, workpapers and other documentation to support the actual long-term debt outstanding at February 29, 1992.

3. Refer to Exhibit B, Schedule 3, pages 1, 2 and 3 of 3, of Harrison County's application. Revise this exhibit to reflect the actual, true long-term debt for Harrison County as of test year end. This revision should include all the information as originally provided in the exhibit corrected where necessary. Each long-term obligation should be separately listed, including any SFAS 71 accruals as well as any other interest accrual adjustments. Explain in detail any differences in the total of the amounts reported here and the amount reported in the response to Item 2 of this same request.

4. Provide the REA and CFC statements of outstanding loan balances reflecting the loan balances at test-year end. Explain any items therein not typically considered long-term debt. If the balances in these statements do not match those given in the response to Item 3 of this same request, fully explain the differences.

5. Refer to Harrison County's response to Item 10, page 20 of 20, of the Commission's September 29, 1992 Order. Explain the difference in the life insurance rate of 0.035 percent as shown in this response with the life insurance rate of .0175 percent shown on Exhibit B, Schedule 7, page 3 of 5, of the application. Provide all supporting documentation (such as a premium notice), calculations and any other support for this rate.

6. Refer to Harrison County's response to Item 10, page 20 of 20, of the Commission's September 29, 1992 Order. Explain the difference between the base salary of \$1,095,000 as shown on this exhibit and the base salary of \$2,256,000 as provided on Exhibit B, Schedule 7, page 3 of 5, of the application.

7. Refer to Harrison County's response to Item 14, page 1 of 1, of the Commission's September 29, 1992 Order. Provide the premium notices received for October 1, 1992 as well as the correcting notice received in December 1991.

8. In light of 807 KAR 5:016(4), provide a detailed narrative explanation as to why advertisements for such things as geothermal heating and cooling, the "all-seasons comfort home" and

advertising to promote the goodwill of the cooperative should be included in the operating expenses for rate-making purposes.

9. Provide a detailed breakdown of the deferred debits and the deferred credits as recorded on the monthly FINANCIAL AND STATISTICAL REPORT, on file with this Commission, for the month ended February 29, 1992. Explain the nature of each item contained in each account and provide the amortization period along with the basis for the amortization period. Furthermore, provide the dates of any Commission approvals received for recording these deferrals.

10. The revisions to Harrison County's application contained in the cover document submitted with its response to the Commission's September 29, 1992 Order result in a Times Interest Earned Ratio ("TIER") OF 2.03. In his direct testimony, Danny R. Haney stated that Harrison County was requesting a 2.0 TIER.

a. State which TIER level is being requested.

b. If it is not a 2.0 TIER level, explain the need for the different TIER level.

11. Refer to Harrison County's response to the Commission's September 29, 1992 Order, Item 42(b).

a. State whether the weighting factors are calculated as the ratio of the number of consumers in individual RECC rate class strata to the total RECC rate class population, and then applied to RECC system-wide stratum. If not, explain in greater detail how weighting factors are calculated.

b. State whether the RECC ratios, stated in part (a) above, are applied to EKPC load data for each consumer class, such

that Harrison County is effectively adopting EKPC's overall load curve (shape) and scaling (apportioning) it with Harrison County's ratios across Harrison County's consumer classes. Explain.

c. Provide a numerical example illustrating: (1) the derivation of a weighting factor; (2) a coincident peak demand calculation found in of Mr. Adkins' testimony, Schedule G.

d. Provide supporting authority (technical, journal articles, private studies, etc.) for the assumption that load shapes for similar consumer groups are approximately uniform across member systems, and thus have approximately the same shape as EKPC's load curve.

e. Discuss the degree of variation between EKPC member system load shapes.

12. Refer to Harrison County's response to the Commission's Order of September 29, 1992, Item 45 and to the Testimony of James R. Atkins, Schedule H, page 2 of 2. Explain the derivation of each relative weight. Show all calculations.

13. Refer to Harrison County's response to the Commission's September 29, 1992 Order, Item 46, and to the Testimony of Mr. Adkins, Schedule G.

a. According to these references outdoor lighting contributes to EKPC's peak for only 4 months, but contributes to Harrison County's peak for 9 months of the year. Explain this difference.

b. Explain why Harrison County needed to adopt EKPC's load curve (shape) to conduct the average and excess demand

allocation distribution method when actual metered load data seemingly exists for Harrison County and is used to derive CP demand and the sum of CP purchased power demand allocator in Schedule D, page 2 of 4.

Done at Frankfort, Kentucky, this 12th day of November, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director